



Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

Minerals File

0002

February 19, 1991

TO: Lowell Braxton, Associate Director, Mining

THRU: Wayne Hedberg, Minerals Supervisor *DWH*

FROM: Holland Shepherd, Reclamation Specialist *HLS*

RE: Geneva Steel Mining Properties and Permit Status, M/021/008 and M/021/005, Iron County, Utah

As we discussed during our meeting on January 28, 1991, the Geneva Steel mining properties/permits are in serious disarray. I have performed some follow-up research, based on the questions raised during the meeting, which supports our concerns. Basically, problems exist with activity on unpermitted acreage, delayed transfer of permits and sureties, resulting in other operators still having responsibilities on properties now controlled by Geneva Steel.

I have summarized all the highlights, in Table 1 (attached). The table gives an account of all the sites now controlled by Geneva Steel and acreage involved, the permit status and an estimate of the cost for bonding the site at \$3,000/ac. Under the title "Permit Operator", in Table 1, I have indicated the operator who, according to our files, is still responsible for the site.

Also, you will find a separate series of figures under the heading of "Escalated Surety". These figures represent current bonds held by the Division for the sites indicated escalated to 1991 dollars. For those sites not currently bonded, I have used the \$3,000/ac average and escalated them through the next year. I have also used the \$3,000/ac figure for the 36 acre UII site, since the original surety covered a much larger area.

The property where permit transfers have been pending is the Comstock site, M/021/005. Here, UII and CF&I are still obligated to the state, even though Geneva Steel is mining the area. A permit transfer was submitted by UII on February 12, 1990. CF&I submitted a permit transfer form for their properties on October 18, 1990. The Division holds a Board Contract of \$217,421 for UII, and holds a surety bond of \$588,951 for CF&I.

The Iron Mountain and Mountain Lion sites are currently both under the Iron Mountain permit M/021/008. The current surety (\$81,000) covering the Iron Mountain site is too low to cover these sites, the Burke, the Chesapeake/Excelsior and the Tip-Top areas. Also, the later 3 areas are currently being mined without appropriate permit approvals.

I have placed an asterisk next to those items in Table 1, which signify a non-compliance situation. The Burke, Chesapeake/Excelsior and Tip-Top areas, have not yet been permitted. Their combined size equals 38 acres. Geneva is currently operating the Comstock Mine without formal approval. Neither the 260 acres from CF&I, nor the 36 acres from UII have been approved for transfer to Geneva. In order to achieve a transfer, a new surety would have to be posted by Geneva, and an amended permit would have to be submitted.

The need for an amended permit for the Comstock was relayed to Geneva, in a Division letter, dated October 31, 1990. However, the rules and statute are unclear as to whether or not an operator must obtain the proper transfer approvals before mining a site, which is changing hands. Rule R613-004-120, states that, "The new mine operator will be required to post a new reclamation surety and must assume full responsibility for continued mining operations and reclamation."

All of the areas currently under the control of Geneva, fit within our 2-mile radius policy. I would recommend making the whole thing one site and redoing the entire Iron Mountain permit. I also, recommend we find the operator in noncompliance to facilitate a more expedited, approvable permit. So far, what the operator has given us only adds to the confusion. We need everything in one comprehensive and well organized document. I believe that it is fair, at this point in time, to ask Geneva for a readable, updated permit package.

As we discussed, it would be impossible for Geneva to generate the proper maps to update the permit, before spring. I support the idea of asking for an interim permit and surety, which would cover the state until a more comprehensive permit can be developed by the operator.

If we are able to obtain an interim permit and bond from Geneva, this would facilitate releasing the other operators from any further obligation on these sites. I have generated a figure of \$1,278,000 for an interim bond, based on a program average figure of \$3,000/ac and the acreage figures I was able to gather from the files. I have also generated another possible interim bond figure, for \$1,199,848, based on a combination of \$3,000/ac and the escalation of existing sureties.

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Geneva Steel Permit Status
M/021/008, M/021/005
February 19, 1991

To facilitate Division action against Geneva, I have attached: 1. a draft Letter of Noncompliance, along with 2. a draft Notice of Agency Action, for your review. If we choose to go the Notice of Agency Action route, I suggest that we allow Tom Mitchell, Division Attorney, to pick up the ball, in refining that document. I also suggest we consult him in choosing between the noncompliance letter and a Notice of Agency Action.

jb
Attachments
cc: Tony Gallegos
M021008.2

Table 1

January 29, 1991

Mine Properties Under the Control
of
Geneva Steel

Name and Permit Number	Acreage	Permitted	Permit Operator	Surety Amount	Date Approved	Escalated ** Surety	Cost if \$3,000/ac***
I. Iron Mountain Mine - M/021/008							
1. Iron Mountain	39 (12?)	yes	Geneva	\$81,000	3/10/89	\$73,433	\$117,000
2. Mountain Lion	53	yes	Geneva	Same as above	3/10/89	Same as above	\$159,000
3. Burke Area	27	* no	Geneva	n/a	n/a	\$82,175	\$81,000
4. Cheasapeake/Excelsior	8	SMO only	Geneva	n/a	n/a	\$24,348	\$24,000
5. Tip Top	3	* no	Geneva	n/a	n/a	\$9,131	\$9,000
II. Comstock Mine - M/021/005							
1. UII Area	36	yes	* UII	\$217,421	5/80	\$109,566	\$108,000
2. Comstock Area	260	yes	* CF&I	\$588,951	4-80	\$901,195	\$780,000
Totals	426			\$87,372 \$1,185,793-		\$1,199,848	\$1,278,000

* Indicates problem with the permit/non-compliance

** These sureties have been escalated to 1991 dollars

*** Indicates a program average for reclamation cost within the state of Utah

January 30, 1991

Mr. Robert Grow
Chief Operations Officer
B M & T - Geneva Steel
P. O. Box 2500
Provo, Utah 84603

*Draft (??)
Was it ever sent
to operator ??*

Dear Mr. Grow:

Re: Notice of Non-Compliance, Iron Mountain Properties, M/021/008 and
M/021/005, Geneva Steel, Iron County, Utah

This letter is written to inform you that the Division finds Geneva Steel in non-compliance with the Utah Mined Land Reclamation Law 40-8-01. Please review the following information and respond promptly.

Rules Cited for Non-Compliance:

1. R613-004-101 - Filing and Review Procedures

A Notice of Intention to Commence Large Mining Operations or letter containing all the required information must be approved by the Division before mining operations begin.

2. R613-004-113 - Surety

Prior to commencement of operations, the operator shall provide a reclamation surety to the Division.

Sections of Mine/Site in Non-Compliance:

1. Geneva Steel is operating on several sites in the Iron Mountain area which have not yet been permitted. These areas include: the Burke, the Chesapeak/Excelsior and the Tip Top. Their approximate legal description is T36S, R14W, Sections 25, 34 and 35.

These areas are not covered by the Iron Mountain mine's existing reclamation surety, and compose approximately 38 acres of disturbance.

2. Geneva Steel is currently operating on properties acquired from CF&I and UII, associated with the Comstock mine area. The permits, for these

areas, have not been formally transferred over to Geneva Steel. The approximate legal description for these areas is T36S, R13W, Sections 19 and 30. They compose approximately 296 acres of pre-permitted properties.

Mitigation Required:

Geneva must obtain an approved permit or permit transfer, and reclamation surety for all of the sites described above.

Time Frame:

The Division will require that the above mitigation is performed within 45 days from the receipt of this letter.

Other Comments:

Because of the complexity of permitting these sites, the Division understands that more than 45 days will be necessary to address all the permitting requirements associated with the sites described above. However, the Division will require that an interim permit and bond be posted with the Division until a more comprehensive permit has been approved.

If these non-compliance concerns are not resolved by Geneva in a timely fashion, the Division will issue a Notice of Agency Action, which may result in fines and/or a cessation order for the properties concerned.

Please contact Wayne Hedberg, Minerals Supervisor for any questions concerning this correspondence. Your diligence in resolving these issues, as soon as possible, would be greatly appreciated.

Sincerely,

Lowell P. Braxton
Associate Director, Mining

jb
M021008.3

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

NOTICE OF AGENCY ACTION

Division File Number: M / 021 / 008 and M / 021 / 005

This Notice of Agency Action is dated: February 4, 1991

Authorized by: Dianne R. Nielson (Name)

Director (Title/Position)

X Division of Oil, Gas & Mining

 Board of Oil, Gas & Mining

NOTE: (Use additional space or attach additional sheets as required)

THE LEGAL AUTHORITY AND JURISDICTION UNDER WHICH THIS ADJUDICATIVE
PROCEEDING IS TO BE MAINTAINED:

Rule R613-004-101 of the Mined Land Reclamation General Rules, which addresses
Filing and Review procedures and Rule R613-004-113, which addresses Surety
Requirements.

THE RELIEF OR ACTION SOUGHT FROM THE DIVISION IS:

The immediate filing of a reclamation surety and permit for all sites concerned or
cessation of operation.

THE FACTUAL BASIS/REASON(S) FOR SEEKING THE RELIEF OR ACTION IS:

Geneva Steel is currently operation on several unpermitted or unapproved areas, associated with its Iron Mountain mine in Iron County. These sites include: The Burke Pit, Burke Loadout, Burke Stockpile; Chesapeake/Excelsior, Tip Top and the Comstock mine. Also, the operator has not posted a reclamation surety for these areas.

THE NAMES AND ADDRESSES OF ALL PERSONS TO WHOM THIS NOTICE OF AGENCY ACTION SHOULD BE GIVEN ARE AS FOLLOWS:

1. Mr. Robert Grow, Chief Operations Officer, B M & T - Geneva Steel
P. O. Box 2500, Provo, Utah 84603
2. Mr. Joseph Blais, Manager - Mined Land, C F & I Steel Corporation
P. O. Box 316, Pueblo, Colorado 81002
3. Mr. York F. Jones, Acting Mine Manager, Utah International Incorporated
228 South 800 West, Cedar City, Utah 84720

THE DIVISION IS HEREBY ADVISED TO CONSIDER THIS FILING AS A FORMAL REQUEST FOR INFORMAL HEARING.

YES ___ NO X

Dianne R. Nielson (Name)

____ (Signature)

Director (Title/Position)